



# PERA

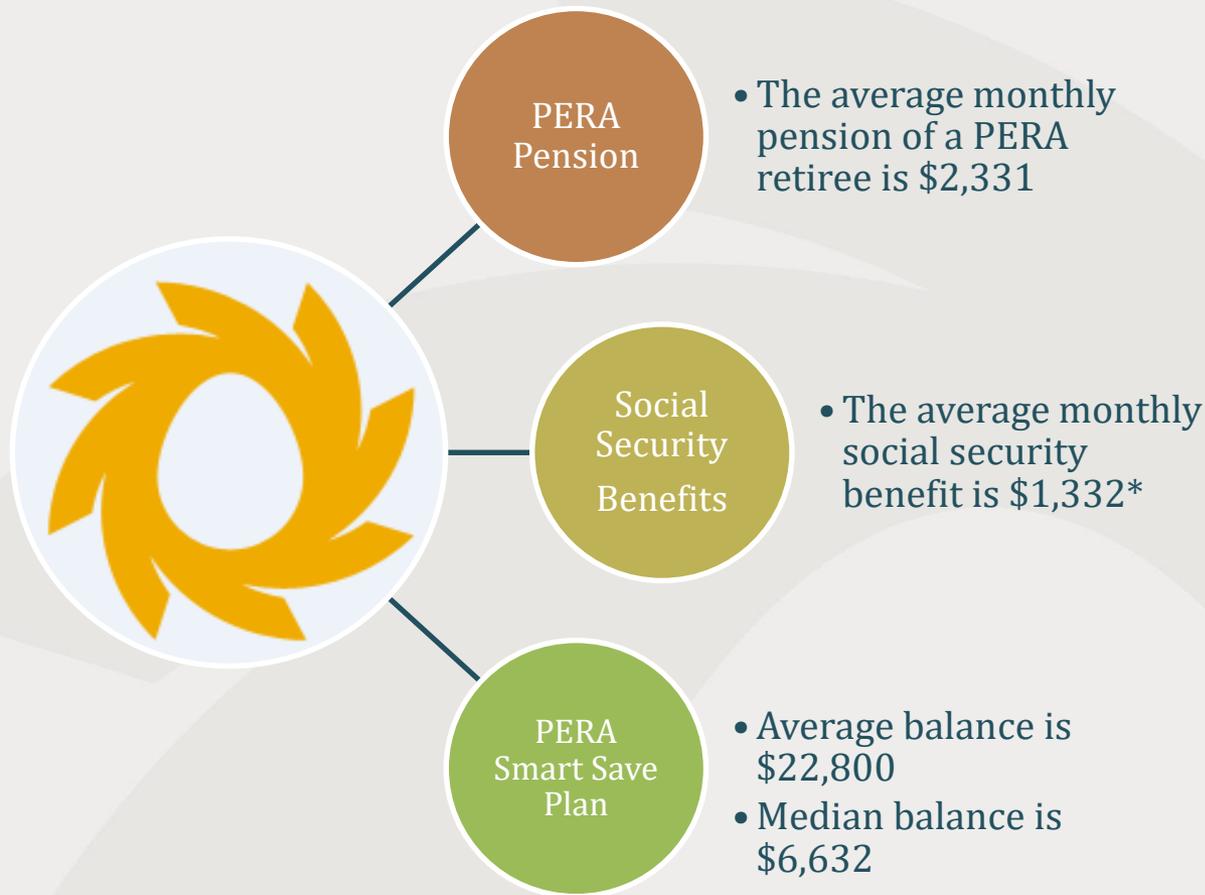
**PERA** *SmartSave*

Deferred Compensation Plan 

*Investments and Pensions Oversight Committee*  
*Senator George K. Munoz, Chair*  
*Representative Monica Youngblood, Vice-Chair*

*Patricia "Patty" French, PERA Board Chair*  
*Wayne Propst, Executive Director*  
*Jon Grabel, Chief Investment Officer*  
*Karyn Lujan, PERA Smart Save Plan Manager*

# Retirement Security for New Mexico Public Employees



*\*Most public safety member groups have elected not to participate in Social Security coverage.*

# NM PERA Smart Save Deferred Compensation Plan

- The PERA Smart Save Deferred Compensation Plan is an optional, supplemental retirement plan under 457b of the Internal Revenue Code
- A *defined contribution* plan - participant directed based on risk tolerance; no liability to the Plan Sponsor (PERA)
- Intended to span over one's career for optimal investment results to complement the default PERA defined benefit plan
- New name and logo – PERA Smart Save
- The PERA Board acts as a fiduciary of the Plan\*

\* See *Deferred Compensation Act, NMSA 1978, Section 10-7a-1 through 10-7a-12 (1991)*

# NM PERA Smart Save Deferred Compensation Plan

- The PERA Board utilizes a third-party administrator as record keeper to:
  - *provide recordkeeping and custody services for the Plan*
  - *generate quarterly statements and tax documents for participants*
  - *administer payments*
  - *provide outreach activities and marketing material*
  
- The PERA Board contracts with an investment consultant to:
  - *present fund metrics on a quarterly basis*

# NM PERA Smart Save Withdrawal Options

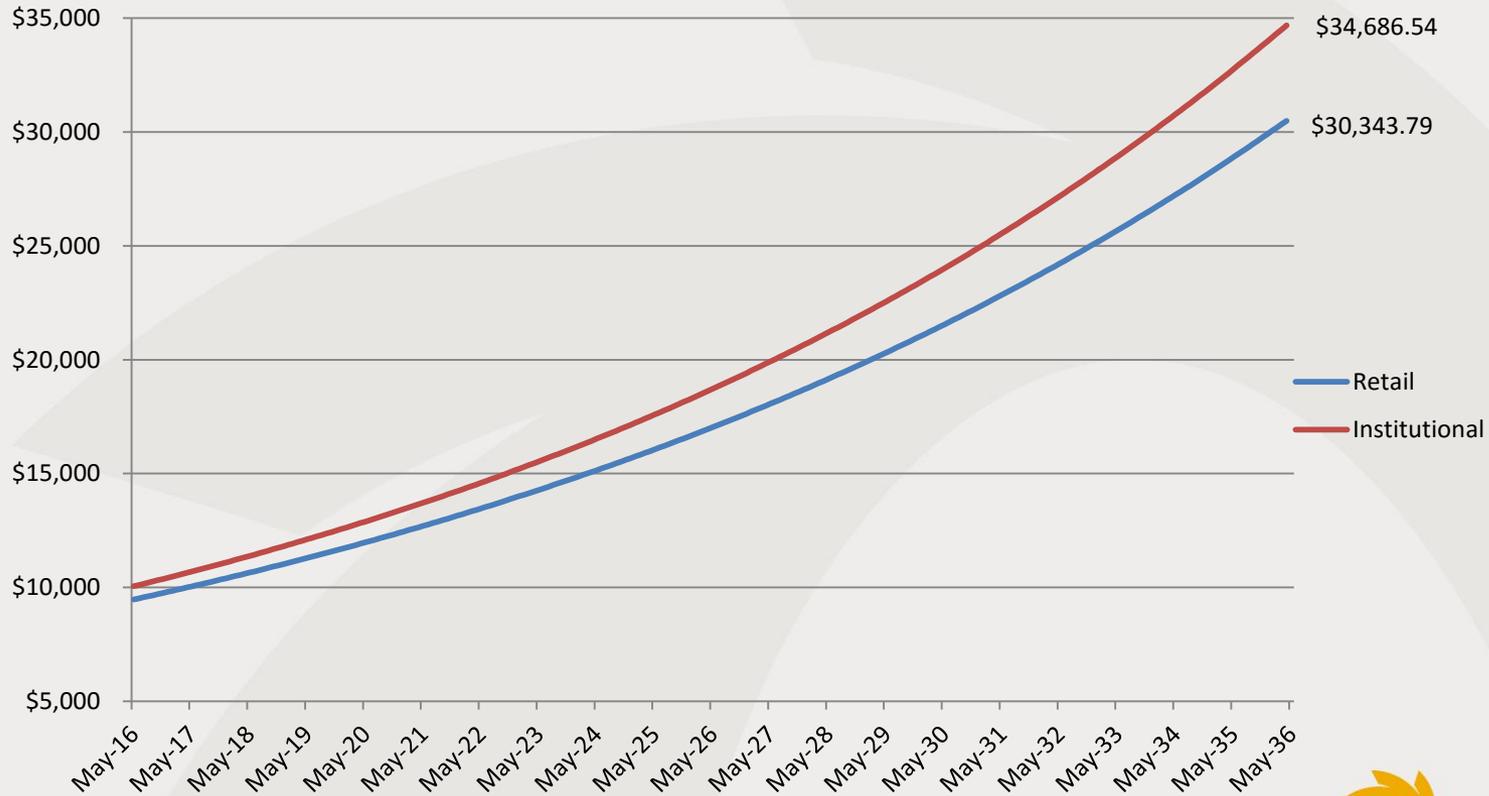
- Funds are available for withdrawal upon retirement or separation of employment
  - Participant can choose a lump sum, partial lump sum, or systematic payments
  - Federal (20%) and NM state (4.9%) taxes are withheld from payments
  - There is no IRS early withdrawal penalty for 457b plans
- Allowable withdrawals while participant is still employed:
  - Participant is age 70½
  - Loans
  - Unforeseen emergencies
  - Account refund for balances at \$5000 or lower if the participant has not contributed within the last two consecutive years

## Affordable Savings – Smart Save Plan Fees

- Low administrative fees encourages retirement savings
  - *\$52 annual fee*
  - *Fee holiday for the first two quarters or until the account balance reaches \$1,000 –whichever occurs sooner*
- Low investment management fees
  - *Participants benefit from institutional share classes*
  - *Fund net expense ratio is 0.41% as of the March 2016 quarter*
  - *Investment options are less expensive than the median net expense ratio*
- Fees are reviewed quarterly by the PERA Board

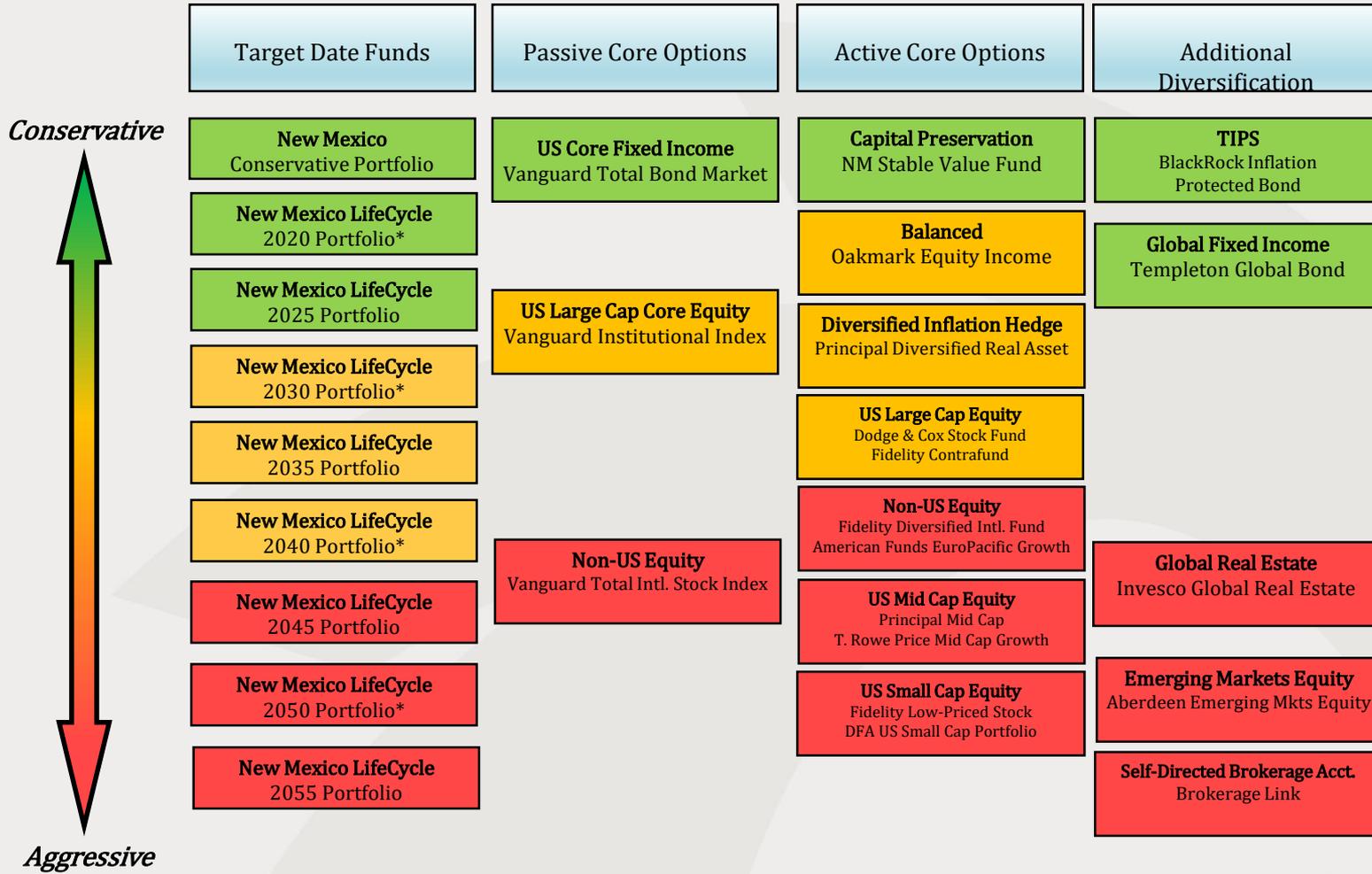
# Affordable Savings – Smart Save Plan Fees

- Initial investment of \$10,000, return of 7% per year
- Institutional share class fee 0.55% vs. Retail share class fee of 0.90% with 5.75% sales charge



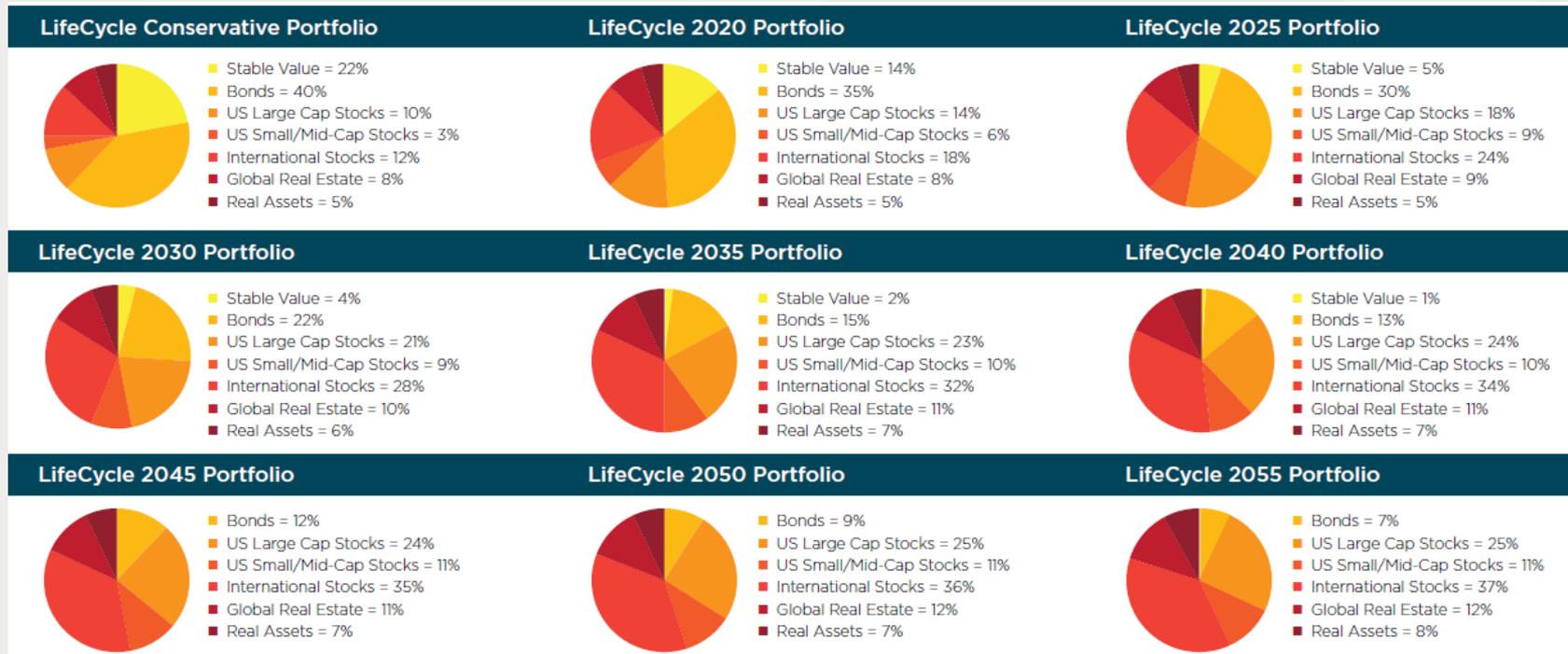
Source: Meketa Investment Group

# Investment Option Structure



# LifeCycle Portfolios

Target date funds designed for a specific retirement date or a participant's age.



# Build your own portfolio

## CHOOSE YOUR STYLE.

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
<b>International</b>	5%	10%	15%	25%	30%
<b>Small -cap</b>	0%	0%	5%	5%	10%
<b>Mid-cap</b>	5%	10%	10%	15%	15%
<b>Large-cap</b>	10%	20%	30%	35%	40%
<b>Bonds</b>	40%	35%	25%	15%	5%
<b>Short-term Investments</b>	40%	25%	15%	5%	0%



**Conservative**  
Designed for an investor with a low risk tolerance and/or a short time horizon. It is targeted toward the investor seeking stability and whose main objective is to preserve capital while providing income. Fluctuations in the value of these portfolios are minor.



**Moderately Conservative**  
Appropriate for an investor who seeks both modest investment value increases and income from his/her portfolio. This investor will have either a moderate time horizon or a slightly higher risk tolerance than someone who chooses a conservative portfolio.



**Moderate**  
Best suits an investor who seeks relatively stable growth and a low level of income. The investor will have a higher tolerance for risk and/or a longer time horizon than a conservative or moderately conservative investor. The main objective is to limit fluctuations to less than those of the overall stock market.



**Moderately Aggressive**  
Designed for an investor with a high tolerance for risk and a longer time horizon. This investor has little need for current income and seeks above-average growth from his/her investable assets.



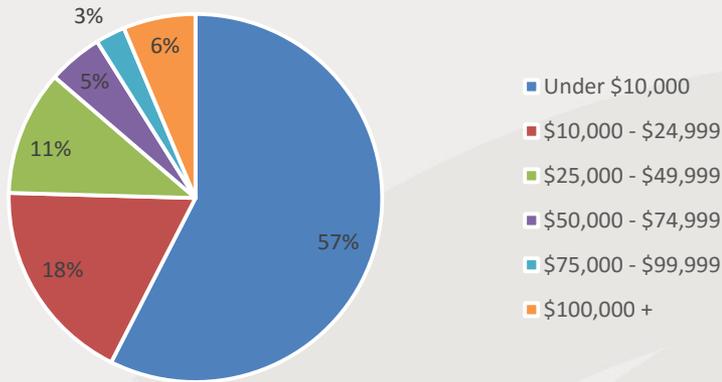
**Aggressive**  
Appropriate for an investor with both a high tolerance for risk and a long time horizon. The main objective of this portfolio is to provide high growth without providing current income. There may be substantial fluctuations in its value from year to year, making these portfolios unsuitable for older investors.

## Plan Activity – March 2016 Quarter

<b>Assets</b>	<b>\$494 million</b>
Participants	19,053
Participating Employers	289 (city, state, county and public schools)
Group Meetings Held	220
Individual Meetings Held	676

# Plan at a Glance – March 2016 Quarter

Participants with a Balance by Asset Range



Average Balance by Age Group



## Plan Accomplishments and Initiatives

- Participants crossed 19,000 in February 2016
- NAV currently above \$500 million
- Quarterly enrollments doubled in September 2016 due to new EZ Enrollment Form
  - *EZ Enrollment allows participants to enroll in the Plan under the LifeCycle Portfolio closest to the year the participant reaches age 65*
- Addition of four new target date fund portfolios to better accommodate members and their retirement goals
- “PERA Investments Seminar” with Smart Save Plan Manager and PERA CIO

# Plan Goals

- Investment education initiatives
- “Know the Value of Your Retirement” seminars geared towards young people just starting in PERA
- Explore social media opportunities and technological advances
- Back to basics outreach – utilize existing resources and traditional media outlets
- ~~Increase employer participation~~ Augment investment fund line up, evaluating new strategies i.e.: white labeling, active, passive, alternative funds
- Evaluate administrative fees
- Electronic transactions – enrollment, contribution increases